

HOUSING AUTHORITY OF GRANT PARISH
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
TWELVE MONTHS ENDED MARCH 31, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/28/02

Mike Estes, P.C.
A Professional Accounting Corporation

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1 - 2
<u>General Purpose Financial Statements</u>		
Combined Balance Sheet - Enterprise Fund	A	3
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Enterprise Fund	B	4
Combined Statement of Cash Flows - Enterprise Fund	C	5
Notes to the General-Purpose Financial Statements	D	6 - 13
Index		6
Notes to Financial Statements		9 - 13
<u>Supplementary Information</u>		
Statement and Certification of Actual Modernization Costs	E(1)	14
Statement of Modernization Costs – Uncompleted	E(2)	15
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		16 - 17
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards		18 - 19
Schedule of Expenditures of Federal Awards		20
Notes to the Schedules of Expenditures of Federal Awards		21
Schedule of Findings and Questioned Costs		22 - 27
Schedule of Audit Journal Entries		28

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY - SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
FAX (817) 831-3560
e-mail: mestespc@swbell.net

MEMBER
AMERICAN BOARD CERTIFIED
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Independent Auditor's Report

Board of Commissioners
Housing Authority of Grant Parish
Georgetown, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Grant Parish, Louisiana at and for the year ended March 31, 2002, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Grant Parish, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Grant Parish, Louisiana as of March 31, 2002, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2002 on our consideration of Housing Authority of Grant Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Grant Parish, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mike Estes, P.C.
Fort Worth, Texas
August 20, 2002

EXHIBIT A

HOUSING AUTHORITY OF GRANT PARISH
ENTERPRISE FUNDS
COMBINED BALANCE SHEET

YEAR ENDED MARCH 31, 2002

ASSETS

Current assets

Cash and cash equivalents	\$ 40,832
Accounts receivable (net of allowance for doubtful accounts of \$2,579)	30,640
Interfund receivable	32,641
Prepaid items and other assets	2,826
Inventory	180

Total Current Assets	107,119
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Restricted Assets

Tenant deposits	2,500
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Fixed Assets

Land, buildings, and equipment (net)	674,262
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TOTAL ASSETS	783,881
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LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts payable	9,123
Compensated absences payable	11,559
Deferred revenue	13,557
Interfund payable	32,641

Total Current Liabilities	66,880
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Current Liabilities Payable from Current Restricted Assets

Deposits due others	2,500
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Total Liabilities	69,380
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Fund Equity

Contributed capital	674,007
Retained earnings:	
Unreserved	40,494

Total Fund Equity	714,501
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TOTAL LIABILITIES AND FUND EQUITY	\$ 783,881
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The Notes to the Financial Statements are an integral part of these statements.

EXHIBIT B

HOUSING AUTHORITY OF GRANT PARISH
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED MARCH 31, 2002

OPERATING REVENUES	
Dwelling rental	\$ 35,144
Other	2,463
	<hr/>
Total revenues	37,607
OPERATING EXPENSES	
Administration	107,526
Utilities	8,699
Ordinary maintenance & operations	31,346
General expenses	17,210
Nonroutine maintenance	7,117
Depreciation	65,212
Housing assistance payments	243,001
	<hr/>
Total operating expenses	480,111
	<hr/>
Income (loss) from Operations	(442,504)
Non operating revenues (expenses)	
Interest earnings	1,844
Federal grants	362,763
	<hr/>
Total Non-operating revenues (expenses)	364,607
	<hr/>
NET INCOME (LOSS)	(77,897)
	<hr/>
Depreciation on fixed assets acquired by contribution	65,212
	<hr/>
Decrease in retained earnings	(12,685)
	<hr/>
RETAINED EARNINGS AT BEGINNING OF YEAR	52,356
	<hr/>
Prior period adjustment -- prior year settlement, Section 8	823
	<hr/>
RETAINED EARNINGS AT BEGINNING OF YEAR, AS RESTATED	53,179
	<hr/>
RETAINED EARNINGS AT END OF YEAR	40,494
	<hr/>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	739,219
	<hr/>
Depreciation transferred from retained earnings	(65,212)
	<hr/>
CONTRIBUTED CAPITAL AT END OF YEAR	674,007
	<hr/>
FUND EQUITY, END OF YEAR	\$ 714,501
	<hr/>

The Notes to the Financial Statements are an integral part of these statements.

EXHIBIT C

HOUSING AUTHORITY OF GRANT PARISH
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED MARCH 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (442,504)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation	65,212
Changes in operating current assets and liabilities:	
Increase in accounts receivables	(29,001)
Increase in interfund receivables	(28,803)
Decrease in prepaid items and other assets	4,846
Decrease in inventory	79
Decrease in accounts payables	(56,449)
Increase in deposits due others	340
Decrease in deferred revenue	(8,878)
Increase in interfund payable	28,803
Increase in liability for compensated absences	2,448
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	<u>(463,907)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	<u>362,763</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in restricted assets	(338)
Interest earnings	<u>1,844</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,506</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(99,638)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>140,470</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 40,832</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2002

INDEX

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	7
A. BASIS OF PRESENTATION.....	7
B. REPORTING ENTITIES.....	7
C. FUNDS.....	8
D. BUDGETS	9
General Budget Policies.....	9
E. CASH AND CASH EQUIVALENTS	9
F. INVESTMENTS	9
G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES.....	10
H. INVENTORY AND PREPAID ITEMS	10
I. FIXED ASSETS.....	10
J. COMPENSATED ABSENCES.....	10
K. FUND EQUITY	10
L. DEFERRED REVENUES	10
M. USE OF ESTIMATES	11
NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS.....	11
NOTE 3 – RECEIVABLES	11
NOTE 4 – FIXED ASSETS.....	12
NOTE 5 – RETIREMENT SYSTEM	12
NOTE 6 – ACCOUNTS PAYABLE	13
NOTE 7 – COMPENSATED ABSENCES	13
NOTE 8 – COMMITMENTS AND CONTINGENCIES	13
NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES	13

HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying general-purpose financial statements of the Housing Authority of Grant Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. BASIS OF PRESENTATION Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:391) of the state of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Grant Parish Police Jury, serve staggered multi-year terms.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the Housing Authority for the purpose of assisting the Housing Authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the Housing Authority for the purpose of maintaining this low-rent character.

The Housing Authority had 28 units in Low Rent management in one project. It also administers 113 Section 8 Voucher.

Program	Contract Number	Number Of Units
PHA owned housing	FW-2020	28
Section 8 Voucher	LA120-VO	113

B. REPORTING ENTITY GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The Housing Authority is a related organization of the Grant Parish Policy Jury since the Jury appoints a voting majority of the Housing Authority's governing board. The Grant Parish Police Jury

HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2002

is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Georgetown. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Grant Parish Police Jury.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Housing Authority to impose its will on that organization's body, and;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

C. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus for all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002

D. BUDGETS

General Budget Policies The following summarizes the budget activities of the Housing Authority during the year ended March 31, 2002:

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

E. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Housing Authority may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at the lower of market or cost.

F. INVESTMENTS Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2002

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. INVENTORY AND PREPAID ITEMS All inventory items are valued at cost using first-in, first-out method. Inventory is recorded using the purchase method. At year-end the amount of inventory is recorded for external financial reporting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

I. FIXED ASSETS Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have not been capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	3 years

J. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

K. FUND EQUITY Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

L. DEFERRED REVENUES The Housing Authority reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2002

M. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS At March 31, 2002 the Housing Authority has Cash equivalents, and investments totaling \$40,832 as follows:

Cash on hand	\$	50
Demand deposits		511
Time deposits		40,271
Total	\$	<u>40,832</u>
Cash and cash equivalents	\$	38,332
Cash and cash equivalents – restricted		2,500
Total	\$	<u>40,832</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At March 31, 2002, the Housing Authority's carrying amount of deposits was \$40,832 and the bank balance was \$40,832. Of the bank balance, \$40,832 was covered by federal depository insurance (GASB Category 1).

Investments during the year were solely in time deposits at banks.

NOTE 3 – RECEIVABLES the receivables of \$30,640 at March 31, 2002, are as follows:

<u>Class of Receivables</u>		
Federal sources:		
Grants	\$	<u>30,640</u>
Total	\$	<u>30,640</u>

**HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

YEAR ENDED MARCH 31, 2002

NOTE 4 – FIXED ASSETS The changes in general fixed assets are as follows:

	Balance 03/31/01	Additions	Deletions	Balance 03/31/02
Land and buildings	\$ 1,528,861	\$ 0	\$ 0	\$ 1,528,861
Furniture and equipment	80,416	0	0	80,416
Total	1,609,277	0	0	1,609,277
Less: accumulated depreciation				
Buildings	806,516	57,154	0	863,670
Furniture and equipment	63,287	8,058	0	71,345
Total	869,803	65,212	0	935,015
Fixed assets, net	\$ 739,474	\$ 65,212	\$ 0	\$ 674,262

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates in a defined contribution plan. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan from the first anniversary date of the employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make a monthly contribution equal to 5 percent of his effective compensation. The employer is required to make monthly contributions equal to 8 percent of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

The Housing Authority's total payroll for year ended March 31, 2002, was \$74,010. The Housing Authority's contributions were calculated using the base salary amount of \$65,525. The Housing Authority made the required contributions of \$9,261 for the year ended March 31, 2002, of which \$5,242 was paid by the Housing Authority and \$4,019 was paid by employees. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2002

NOTE 6 – ACCOUNTS PAYABLE The payables of \$9,123 at March 31, 2002, are as follows:

Trade payables	\$	7,560
Payroll withholdings		1,563
	\$	<u>9,123</u>

NOTE 7 – COMPENSATED ABSENCES At March 31, 2002, employees of the Housing Authority have accumulated and vested \$11,559 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. These amounts are recorded as liabilities in the funds from which payment will be made.

NOTE 8 – COMMITMENTS AND CONTINGENCIES The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996. These programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 9 – INTERFUND RECEIVABLES AND PAYABLES At December 31, 2001, the Section 8 program owes the Low Rent Program \$32,641. By May 31, 2002, this balance had been reduced to \$23,457. The PHA plans to eliminate this interfund balance.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF GRANT PARISH
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED MARCH 31, 2002

1. The Actual Modernization Costs are as follows:

		<u>Project 1999</u>
Funds approved	\$	54,280.00
Funds expended		<u>54,280.00</u>
Excess of funds approved	\$	<u>0</u>
 Funds advanced	 \$	 54,280.00
Funds expended		<u>54,280.00</u>
Excess of funds advanced	\$	<u>0</u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated September 18, 2001 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED MARCH 31, 2002

CASH BASIS

	2000 <u>Capital Fund</u>	2001 <u>Capital Fund</u>
Funds approved	\$ 56,852.00	\$ 57,999.00
Funds expended	<u>6,915.00</u>	<u>8,899.00</u>
Excess of funds approved	\$ <u>49,937.00</u>	\$ <u>49,100.00</u>
 Funds advanced	 \$ 6,915.00	 \$ 8,899.00
Funds expended	<u>6,915.00</u>	<u>8,899.00</u>
Excess of funds advanced	\$ <u>0.00</u>	\$ <u>0.00</u>

The Notes to the Financial Statements are an integral part of these statements.

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY - SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
FAX (817) 831-3560
e-mail: mestespc@swbell.net

MEMBER
AMERICAN BOARD CERTIFIED
PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of Grant Parish
Georgetown, Louisiana

We have audited the compliance of the Housing Authority of Grant Parish, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2002. The Housing Authority of Grant Parish, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Grant Parish, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Grant Parish, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Grant Parish, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Grant Parish, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Grant Parish, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2002. However, the results of our auditing procedures disclosed five instances of non compliance that are required to be reported in accordance with OMB Circular No. A-133 and which are described in the schedule of Audit Findings.

Internal Control Over Compliance

The management of The Housing Authority of Grant Parish, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Grant Parish, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Grant Parish Housing Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule as Audit Findings #1 and #2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we did not consider any to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.
Fort Worth, Texas
August 20, 2002

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION
4200 AIRPORT FREEWAY - SUITE 100
FORT WORTH, TEXAS 76117

MIKE ESTES, CPA

(817) 831-3553
METRO (817) 654-4063
FAX (817) 831-3560
e-mail: mestespc@swbell.net

MEMBER
AMERICAN BOARD CERTIFIED
PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Housing Authority of Grant Parish
Georgetown, Louisiana

We have audited the financial statements of the Housing Authority of Grant Parish, Louisiana as of and for the year ended March 31, 2002, and have issued our report thereon dated August 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Grant Parish, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Grant Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the PHAs ability to record, process, summarize, and report financial data consistent with the assertions of management in the

financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Audit Findings #1 and #2.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.
Fort Worth, Texas
August 20, 2002

HOUSING AUTHORITY OF GRANT PARISH
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED MARCH 31, 2002

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>GRANT ID #</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:			
Low-Income Housing Operating Subsidy	14.850		49,136
Major Program Total			<u>49,136</u>
Comprehensive Improvement Assistance Program	14.852		11,552
Major Program Total			<u>11,552</u>
Housing Choice Voucher	14.871		286,261
Major Program Total			<u>286,261</u>
Public Housing Capital Fund	14.872		15,814
Major Program Total			<u>15,814</u>
Total HUD			<u>362,763</u>

Total Expenditures of Federal Awards

**HOUSING AUTHORITY OF GRANT PARISH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED MARCH 31, 2002

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Grant Parish, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority's general-purpose financial statements as follows:

	<u>Federal Sources</u>
Enterprise funds:	
Public Housing	\$ 49,136
Section 8 Vouchers	286,261
CIAP	11,552
Capital Fund	15,814
Total	<u>\$ 362,763</u>

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, "federal awards" do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act "federal awards expended" threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MARCH 31, 2002

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were two reportable conditions required to be disclosed *by Government Auditing Standards* issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards* to the financial statements.

Audit of Federal Awards

- iv. There were two reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed audit five findings which the auditor is required to report under OMB Circular No. A-133, Section .520(a).
- vii. The major federal programs are:

CFDA# 14.850	Public and Indian Housing – Low Rent Program
CFDA# 14.852	Comprehensive Improvement Assistance Programs
CFDA# 14.871	Section 8 Housing Choice Voucher
CFDA# 14.872	Capital Fund

- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF GRANT PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MARCH 31, 2002

Prior Audit Findings and Questioned Costs

The one prior audit finding was that flat rents were not offered. The PHA started in the audit year. That finding is cleared.

Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133, Section .510(a):

Current Audit Findings

Section 8

Finding 01-01 - Under Utilization of Budget Authority and Vouchers Issued.

Statement of Condition

Financial condition of the Section 8 program is poor. The March 31, 2002 Operating Reserve Deficit is \$17,245.

Criteria

According to the Voucher for Payment of Annual Contributions and Operating Statement, HUD – 52681, for the year ended March 31, 2002, the PHA used \$286,261. This is 86% of the total Annual Contract Available of \$331,370. In addition, only 1,109 units were leased. This is 82% of the total possible units of 1,356.

Effect

The long-term viability of the program is at risk. In the short run, program income available to pay program overhead is not maximized, since administrative income is paid on a formula of the number of units leased.

Cause

Several factors may contribute to this, and these were discussed at length with PHA personnel. We are not able to determine the specific causes.

Recommendation

The PHA should increase its efforts to increase lease-up, including the following:

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MARCH 31, 2002

- 1)
 - A. Have landlord orientation to recruit new landlords.
 - B. Increase its advertising.
 - C. Contract landlords previously on the program to see if they can be recruited again.
 - D. Shift duties of PHA personnel that will allow more person-hours to achieve lease-up.
- 2) Payment standards for Section 8 are currently 100% of the HUD FMR's. The PHA should review its rent reasonableness to see if increasing payment standards to 110% are justified.
- 3) The PHA should consider applying to HUD for an administration per unit increase, although HUD will probably expect to see overhead reductions (see finding #2) before they will consider an increase.

Corrective Action – Response 01-1

I am H.D. Jones, Executive Director and designated person to answer these findings. I told our auditor that a big problem for us is that once a voucher is issued, most applicants take their full time allotment to find a place. We don't seem to have many folks that are desperate to find a place as the larger metropolitan areas do. Many of our applicants are living at home, and can take their time in locating a place, and be picky about it.

We feel like we are already doing a good job in the areas the auditor mentioned. But we realize we have to lease the units up and we'll try even harder.

Section 8

Finding 01-2 - Section 8 Administrative Overhead Overran Budget, and Operating Reserve Deficit.

Statement of Condition

Total actual administrative expense per financial records charged to the Section 8 program was \$43,116. This exceeded the total amount budgeted of \$39,978.

In addition, duly approved incentive pay bonuses were paid to the two employees of \$4,794 total. These were incorrectly charged to Low Rent Extraordinary Maintenance. They should have been charged to salaries. The allocation to the Section 8 program would have caused a larger budget overrun than noted in the first paragraph.

Effect

The viability of the Section 8 program is at risk.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MARCH 31, 2002

Cause

The PHA did not pay adequate attention to actual expenses compared to the budget throughout the year. Also, the PHA did not adequately review the fee accountant's decision to code incentive bonuses to Extraordinary Maintenance.

Recommendation

The PHA should review all overhead expenditures and cut wherever possible. On at least a quarterly basis, preferably monthly, the PHA should compare its year-to-date overhead against the budget for both Low Rent and Section 8. There should be evidence in the Board Minutes that financial statements were reviewed with the Board, and/or budget versus actual expenses were reviewed.

Corrective Action – Response 01-2

We will comply with the above. We will show in our Board Minutes that we have talked to them about our financial condition.

Section 8 and Low Rent

Finding 01-3 - The Waiting List Did Not Contain All Required Information.

Statement of Condition

The Waiting List did not contain the race of each applicant. The information exists, but a second record, "Application List by Program" has to be generated to review the race.

Criteria

24 CFR 982.204, Waiting List.

Cause

Apparent oversight of the shortcoming in the computer software.

Effect

A third party has to go beyond the formal Waiting List to determine the race of an applicant.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MARCH 31, 2002

Recommendation

Note the race of the applicant on the Waiting List.

Corrective Action – Response – 01-3

We have gone to a Waiting List suggested by HUD that will also allow us to better monitor our income targeting.

Section 8 and Low Rent

Finding 01-4 - The PHA Does Not Have Depository Agreements With Banks On File.

Statement of Condition

The ACC requires PHAs to have bank depository agreements with financial institutions.

Criteria

The Annual Contributions Contract (ACC) requirements.

Effect

The Agreement outlines various responsibilities the bank agrees to meet with depositors.

Recommendation

The PHA should obtain executed General Depository Agreements, HUD – 51999, from both banks it deals with.

The Agreement states the bank will pledge its own securities against any deposits in excess of the \$100,000 FDIC coverage. However, if the PHA ever has in excess of \$100,000 on deposit, the PHA should monitor its pledged collateral position. Banks sometime do not pledge adequate collateral even when a Depository Agreement exists.

Corrective Action – Response – 01-4

We have recently requested Depository Agreements from our two banks. We'll make sure we get them.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED MARCH 31, 2002

Low Rent & Section 8

Finding 01-5 – Earned Income Disallowance (also called Disregard) (EID) Not being Checked on Tenants

Statement of Condition

Tenants are not currently being reviewed for qualifications for the EID.

Criteria

The EID is part of the Quality Housing Work Responsibility Act (QHWRA). Federal regulations for Low Rent are detailed at 24 CFR Part 960.255. Section 8 regulations are at 24 CFR Part 5.617.

Family members in PHAs that have experienced an increase in employment earnings, may, if certain conditions are met, qualify for less than an income-based rent.

Effect

Some tenants may be paying more rent than they should. If so, PHA refunds will be due them.

Cause

The PHA was unaware of the requirements, until recently.

Recommendation

Within 60 days of attendance at an upcoming Nan McKay seminar, the PHA should review the files of all families residing in public housing and apply EID where appropriate, retroactive to October 1, 1999.

In some cases a review will reveal that some families qualify for the disallowance, but were not provided the incentive. These families must be reimbursed the difference between the amount of rent that they paid and the amount that should have been paid if the family was provided the disallowance. These families must be given the choice between receiving a cash reimbursement for the full amount owed and receiving the amount as a credit toward future rent.

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF GRANT PARISH
SCHEDULE OF AUDIT JOURNAL ENTRIES

YEAR ENDED MARCH 31, 2002

		ACCT. # FOR AUDIT PURPOSES	DR	CR	ACCT. # FOR POSTING TO PHA BOOKS
	<u>Low Rent</u>				
1	Interprogram receivable	144	32,641		
	Accounts receivable – misc.	125		32,641	
	To reclass interfund amount due				
2	Cash	111	6,609		
	Accounts payable	312		6,609	
	To reclass cash overdrafts				
3	Accounts receivable – HUD	122	13,500		
	Deferred revenue	342		13,500	
	To record \$13,500 received 4-1-02 by direct deposit				
	<u>Section 8</u>				
1	Interprogram payable	347		32,641	
	Accounts payable	312	32,641		
	To reclass interfund receivable and payable				